

Message Text

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ORIGIN EB-07

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AID-05 CEA-01 CIEP-01 COME-00 FPC-01 H-02 INR-07

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA IMMEDIATE

AMEMBASSY ATHENS IMMEDIATE

AMEMBASSY BERN IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY DUBLIN IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY MADRID IMMEDIATE

AMEMBASSY OSLO IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY STOCKHOLM IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY VIENNA IMMEDIATE

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AMEMBASSY WELLINGTON IMMEDIATE

INFO AMEMBASSY PARIS

C O N F I D E N T I A L STATE 264714

E.O. 11652: GDS

TAGS: ENRG, IEA

SUBJECT: IEA: US POSITION ON REDUCED DEPENDENCE
OBJECTIVES PROPOSAL

REF: STATE 263497

BRUSSELS PASS TO DAVIGNON.

1. ALL ADDRESSEES SHOULD SEEK EARLIEST POSSIBLE OPPORTUNITY TO CONVEY FOLLOWING TEXT OF MESSAGE ON US REDUCED IMPORT DEPENDENCY PROPOSAL FROM ASSISTANT SECRETARY KATZ TO HOST GOVERNMENT OFFICIALS CONCERNED WITH IEA MATTERS, AND REPORT REACTIONS BY RETURN CABLE ASAP. YOU SHOULD INFORM HOST GOVERNMENTS THAT MR. KATZ WILL HEAD US DELEGATION TO NOVEMBER 8-9 GB MEETING.

2. FOR BONN: FRG POSITION WILL BE CRUCIAL IN DEVELOPING IEA SUPPORT FOR REDUCED DEPENDENCY CONCEPT. YOU SHOULD ENSURE, THEREFORE, THAT TEXT IS DELIVERED TO BOTH ROHWEDDER AND HERMES AND REPORT THEIR PERSONAL REACTIONS SOONEST TO POSITION OUTLINED.

3. FOR LONDON: TOKYO, OTTAWA, AND OSLO: HOST GOVERNMENTS IN YOUR CAPITALS HAVE ALL EXPRESSED SIGNIFICANT RESERVATION ABOUT ONE OR MORE MAJOR ELEMENTS OF REDUCED DEPENDENCY PROPOSAL. YOU SHOULD THEREFORE ENSURE TEXT IS DELIVERED TO HIGHEST APPROPRIATE LEVEL CONCERNED WITH INTERNATIONAL ENERGY POLICY MAKING AND IEA. (NOTE: FOR TOKYO: WE HAVE ALREADY DISCUSSED TEXT WITH KINOSHITA (MITI AND KARITA (GAIMUSHO) AT CIEC MEETING IN PARIS.)

4. BEGIN TEXT: AT ITS MEETING ON NOVEMBER 8-9, THE GOVERNING BOARD IS SCHEDULED TO TAKE A FORMAL DECISION ON THE PROCESS AND TIMETABLE FOR ESTABLISHING OBJECTIVES FOR THE REDUCTION OF IEA DEPENDENCE ON IMPORTED OIL. THE CONFIDENTIAL

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UNITED STATES CONSIDERS THIS DECISION, AND THE PROCESS IT WILL LAUNCH, TO BE OF FUNDAMENTAL IMPORTANCE TO THE VIABILITY AND FUTURE EFFECTIVENESS OF INDUSTRIALIZED COUNTRY COOPERATION IN ENERGY.

THE UPDATED VERSION OF THE OECD'S LONG-TERM ENERGY ASSESSMENT, AND SIMILAR STUDIES BY OTHER SOURCES, PROJECT A TOTAL WORLD DEMAND FOR OPEC OIL IN 1985 OF AT LEAST 40 MMBD, ON THE BASIS OF THE ENERGY POLICIES NOW IN PLACE IN OUR COUNTRIES AND RELATIVELY CONSERVATIVE ASSUMPTIONS FOR OUR ECONOMIC GROWTH. IN THE US VIEW, THE DEGREE OF VULNERABILITY TO UNILATERAL OIL PRICE INCREASES AND THREATS OF SUPPLY INTERRUPTIONS WHICH SUCH DEPENDENCY WOULD ENTAIL

IS CLEARLY UNACCEPTABLE.

THERE ARE, OF COURSE, SEVERAL REASONS WHY INDUSTRIALIZED COUNTRY CONSUMPTION WILL PROBABLY NEVER REACH THESE PROJECTED LEVELS. FIRST, IT IS VERY DOUBTFUL THAT OPEC WOULD BE WILLING, OR ABLE, TO PRODUCE THAT MUCH OIL BY 1985: OPEC SURPLUS PRODUCTION CAPACITY HAS DECLINED AND, WHILE A FEW COUNTRIES, MOST NOTABLY SAUDI ARABIA, HAVE THE POTENTIAL TO INCREASE CAPACITY TO MEET THE PROJECTED DEMAND, WE CANNOT ASSUME THEY WILL CHOOSE TO DO SO, PARTICULARLY SINCE, AS THEY HAVE STATED REPEATEDLY, THEIR REVENUES AT PRESENT PRODUCTION LEVELS FAR EXCEED EVEN THEIR PROJECTED FUTURE FINANCIAL REQUIREMENTS.

OF MORE IMMEDIATE SIGNIFICANCE, HOWEVER, IS THE FACT THAT AS OUR DEMAND FOR OPEC OIL INCREASES DURING THE SHORT TERM FUTURE, THE REAL PRICE OF OIL WILL ALMOST CERTAINLY INCREASE EITHER AS A RESULT OF OPEC'S MONOPOLISTIC EXPLOITATION OF OUR VULNERABILITY, OR SIMPLY BECAUSE OF THE OPERATION OF TRADITIONAL MARKET FORCES. WHICHEVER THE REASON, IF PRESENT TRENDS CONTINUE, THE RESULTING HIGHER COSTS FOR ENERGY WITHIN OUR ECONOMIES WILL HAVE A SIGNIFICANT ADVERSE IMPACT ON ECONOMIC GROWTH. AS A RESULT, OUR ACTUAL DEMAND FOR OIL OVER THE MEDIUM AND LONG-TERM PROBABLY WILL BE HELD TO LEVELS CONSIDERABLY LOWER THAN PROJECTED. BUT THERE IS LITTLE CAUSE FOR COMFORT IN SUCH AN ASSESSMENT WHEN WE CONSIDER THE ECONOMIC COSTS TO

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OUR SOCIETIES, AND TO THE WORLD ECONOMY GENERALLY, OF SUCH A REDUCED GROWTH SCENARIO.

THERE IS, HOWEVER, AN ALTERNATIVE TO THIS PROFOUNDLY WORRYING FORECAST FOR THE FUTURE: AN ALTERNATIVE WHICH HOPEFULLY WILL ENSURE A CONTINUED SATISFACTORY INCREASE IN OUR ECONOMIC GROWTH, WHILE AT THE SAME TIME AVOIDING THE DANGERS OF THE "BOOM-AND-BUST" ENERGY USE PATTERNS JUST DESCRIBED. BUT THIS WILL COME ABOUT ONLY IF WE ACT QUICKLY TO IMPROVE THE EFFICIENCY OF OUR ENERGY CONSUMPTION AND DEVELOP OUR OWN SOURCES OF ENERGY SO AS TO BRING ABOUT A MORE ACCEPTABLE LONG-TERM GLOBAL BALANCE OF SUPPLY AND DEMAND FOR ENERGY. CURRENT STUDIES INDICATE THAT THE IMPLEMENTATION OF A SERIES OF MORE VIGOROUS ENERGY POLICIES COULD REDUCE THE DEMAND OF THE OECD COUNTRIES FOR IMPORTED OIL IN 1985 BY AS MUCH AS ONE THIRD. WHETHER OR NOT A SWING OF THIS MAGNITUDE IN OUR REQUIREMENTS FOR IMPORTED OIL WOULD BE FEASIBLE CANNOT, AT THIS POINT, BE DETERMINED. HOWEVER, IT IS ESSENTIAL THAT WE BEGIN NOW TO DETERMINE:

--HOW MUCH OF A CHANGE IN OUR COMBINED REQUIREMENTS FOR IMPORTED OIL IS BOTH POSSIBLE AND PRACTICAL, GIVEN ESSENTIAL ECONOMIC, SOCIAL AND OTHER GOALS; AND

--HOW INDIVIDUAL IEA COUNTRIES, OPERATING WITHIN OUR CO-OPERATIVE FRAMEWORK AND TAKING ACCOUNT OF INDIVIDUAL ECONOMIC AND SOCIAL GOALS AND DIVERSE LEVELS OF RESOURCE ENDOWMENT AND PATTERNS OF ENERGY USE, CAN CONTRIBUTE TO THIS SHIFT IN THE GLOBAL ENERGY BALANCE.

BEARING IN MIND THE PRELIMINARY DISCUSSIONS ON THIS SUBJECT WHICH HAVE ALREADY TAKEN PLACE IN THE IEA, THE US BELIEVES SEVERAL KEY POINTS CONCERNING ISSUES AND PROCEDURES HAVE EMERGED WHICH SHOULD BE ENDORSED BY THE GOVERNING BOARD AT ITS NEXT MEETING:

--FIRST, IT IS CLEAR THAT EACH INDIVIDUAL COUNTRY MUST RETAIN SOLE CONTROL OVER ITS OWN ENERGY DECISIONS: AN EXERCISE IN WHICH SUPRANATIONAL DECISIONS ARE IMPOSED ON CONFIDENTIAL

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GOVERNMENTS IS NOT ENVISIONED. HOWEVER, THE ASSESSMENT OF THE CURRENT AND POTENTIAL PERFORMANCE OF INDIVIDUAL COUNTRIES MUST BE A MUTUAL ONE. THIS IS A FURTHER STEP TOWARDS THE NECESSARY INTERLOCKING (ALTHOUGH NOT THE INTEGRATION) OF OUR NATIONAL ENERGY PROGRAMS. IN THE END, WE MUST EACH BE SATISFIED THAT THE ACCEPTANCE OF RESPONSIBILITY FOR CONTRIBUTING TO THE DESIRED SHIFT IN OUR COLLECTIVE ENERGY BALANCE REFLECTS EQUITABLE SHARING OF COSTS AND BENEFITS.

--SECOND, WE NEED A QUANTITATIVE GROUP OBJECTIVE FOR REDUCED DEPENDENCY, SUPPORTED BY INDIVIDUAL COUNTRY ACCEPTANCE OF RESPONSIBILITY FOR MEETING THEIR FAIR SHARE OF THAT OBJECTIVE, INCLUDING THE CONCRETE POLICY MEASURES THAT WILL BE REQUIRED. FOR ITS PART, THE US COULD ITSELF ENVISION ACCEPTING A QUANTIFIED NATIONAL REDUCED DEPENDENCY OBJECTIVE EXPRESSED IN TERMS OF MILLIONS OF BARRELS OF IMPORTED OIL BY 1985. OTHER COUNTRIES MAY CHOOSE TO EXPRESS THEIR SHARE OF RESPONSIBILITY FOR MEETING THE GROUP'S TARGET IN A DIFFERENT MANNER. REGARDLESS OF THE SPECIFIC METHOD CHOSEN, HOWEVER, IT SHOULD PROVIDE A QUANTIFIABLE STANDARD AGAINST WHICH INDIVIDUAL COUNTRY PERFORMANCE CAN BE MEASURED. THE SUM OF ALL OF THESE INDIVIDUAL NATIONAL COMMITMENTS, WHEN EXPRESSED IN TERMS OF QUANTIFIED IMPACT ON OIL CONSUMPTION FOR THE GROUP, SHOULD BE ABLE TO BE DESCRIBED IN TERMS OF A PROJECTED IMPORT DEPENDENCY OBJECTIVE FOR THE GROUP AS A WHOLE.

--THIRD, NATIONAL COMMITMENTS TO THESE OBJECTIVES MUST BE CREDIBLE, AND OF A ROUGHLY PARALLEL NATURE. THIS IS A

DIFFICULT ISSUE IN VIEW OF THE DIFFERENCES AMONG OUR VARIOUS GOVERNMENTAL SYSTEMS. THE US WOULD ENVISION A PROCESS OF POLITICAL UNDERTAKINGS, NOT LEGALLY BINDING COMMITMENTS. HOWEVER, WE HAVE ALREADY BEGUN THE PROCESS OF CONSULTING WITH THE US CONGRESS CONCERNING THE ESTABLISHMENT OF THE US NATIONAL OBJECTIVE WITHIN THE IEA IN ORDER TO HELP ENSURE THAT THE GOAL CHOSEN IS A NATIONAL GOAL, WITH CONGRESSIONAL SUPPORT FOR THE CONCOMITANT POLICY MEASURES REQUIRED TO REACH IT. THE REVIEW OF NATIONAL PERFORMANCE THROUGH THE IEA'S ANNUAL REVIEW
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PROCEDURES WOULD ENSURE THAT THERE IS PARALLELISM IN THE CARRYING OUT OF SUCH NATIONAL COMMITMENTS.

--AND FOURTH, THE ESTABLISHMENT OF THESE OBJECTIVES AND THEIR REGULAR REVIEW IN TERMS OF ACTUAL PERFORMANCE MUST TAKE PLACE AT THE POLICYMAKING, NOT THE TECHNICAL, LEVEL WITHIN THE IEA AND NATIONAL GOVERNMENTS THEMSELVES. THEREFORE, WE BELIEVE THAT WHILE INITIAL DEVELOPMENT OF THESE OBJECTIVES WOULD BE DONE AT GOVERNING BOARD LEVELS, THEIR FORMAL ESTABLISHMENT AND THE ULTIMATE ENUNCIATION OF THE POLITICAL COMMITMENTS UNDERLYING THEM SHOULD TAKE PLACE AT THE MINISTERIAL LEVEL.

THE US BELIEVES THAT THE "PROCESS" PAPER CIRCULATED RECENTLY BY THE SLT CHAIRMAN IS GENERALLY CONSONANT WITH THE US POSITION OUTLINED ABOVE. WE WOULD AGREE, HOWEVER, WITH THE STATEMENT BY CHAIRMAN DAVIGNON AT THE LAST GOVERNING BOARD MEETING (GB(76) 38 ADD.1) THAT "ALTHOUGH

THE EVALUATION OF GOVERNMENT MEASURES IS ALWAYS A DIFFICULT EXERCISE, SUCH EVALUATION AND THE DEVELOPMENT OF YARDSTICKS ARE UNAVOIDABLE." THE US BELIEVES SUCH YARDSTICKS MUST BE QUANTITATIVE IN NATURE AND THAT THE "PROCESS" ADOPTED BY THE IEA SHOULD MAKE THIS CLEAR. WE THEREFORE BELIEVE AN ADDITIONAL STEP SHOULD BE INSERTED BETWEEN STEPS B AND C OF THE PRESENT DRAFT TO READ AS FOLLOWS:

COUNTRIES MAY CHOOSE TO EXPRESS THEIR SHARE OF RESPONSIBILITY FOR MEETING THE GROUP TARGET IN DIFFERENT WAYS. REGARDLESS OF THE SPECIFIC METHOD CHOSEN, HOWEVER, IT SHOULD PROVIDE A QUANTIFIABLE STANDARD AGAINST WHICH INDIVIDUAL COUNTRY PERFORMANCE CAN BE MEASURED. THE SUM OF ALL OF THESE INDIVIDUAL NATIONAL COMMITMENTS, WHEN EXPRESSED IN TERMS OF QUANTIFIED IMPACT ON OIL CONSUMPTION FOR THE GROUP, SHOULD BE ABLE TO BE DESCRIBED IN TERMS OF A PROJECTED IMPORT DEPENDENCY OBJECTIVE FOR THE GROUP AS A WHOLE."

WITH THIS AMENDMENT, THE US BELIEVES THE "PROCESS" PAPER

COULD SERVE AS AN APPROPRIATE BASIS FOR THE DEVELOPMENT OF
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AN AGREED IEA PROCESS FOR THE ESTABLISHMENT OF REDUCED
DEPENDENCY OBJECTIVES. WE STRONGLY BELIEVE, THEREFORE,
THAT THE GOVERNING BOARD, AT ITS NOVEMBER 8-9 MEETING,
SHOULD REACH AGREEMENT ALONG THESE LINES, AND THAT THE
PROCESS DESCRIBED IN THE SLT CHAIRMAN'S NOTE FOR THE
ARTICULATION OF THE REDUCED DEPENDENCY OBJECTIVES SHOULD
BEGIN PROMPTLY THEREAFTER. END TEXT. ROBINSON

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